

Message Text

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12

ACTION NEA-16

INFO OCT-01 EUR-25 ISO-00 AID-20 CIAE-00 COME-00 EB-11

FRB-02 INR-10 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12

SP-03 CIEP-02 LAB-06 SIL-01 OMB-01 NSC-07 SS-20

STR-08 CEA-02 L-03 FEA-02 AF-10 PA-04 PRS-01 USIA-15

DRC-01 /191 W

----- 120269

R 220419Z MAY 74

FM AMEMBASSY ABU DHABI

TO SECSTATE WASHDC 1598

INFO AMEMBASSY BEIRUT

AMEMBASSY KUWAIT

AMEMBASSY JIDDA

AMEMBASSY TEHRAN

AMEMBASSY CAIRO

AMEMBASSY LONDON

AMEMBASSY PARIS

USINT ALGIERS

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DEPT PASS TREASURY AND FEDERAL RESERVE; KUWAIT PASS DOHA

EO 11652: NA (DECON MAY 16, 1975)

TAGS: EFIN, TC, KU, QA

SUBJ: IBRD-UAE LOCAL CURRENCY LOAN ANNOUNCED;

ALGERIAN LOAN REPORTEDLY COLLAPSES

REF: ABU DHABI 0562

1. BEGIN UNCLASSIFIED: INFO REPORTED REFTEL CONFIRMED BY
ANNOUNCEMENT MADE HERE MAY 15 BY ABU DHABI DEPARTMENT
FINANCE AND VISITING IBRD TEAM THAT ABU DHABI HAS AGREED
TO LEND THE WORLD BANK 300 MILL DIRHAMS TO BE INVESTED IN
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BONDS OVER PERIOD OF TEN YEARS WITH RATE OF INTEREST

AT 8 PERCENT. AGREEMENT WAS SIGNED BY SHAIKH KHALIFA BIN ZAYID, UAE DPTY PM AND CROWN PRINCE OF ABU DHABI ON BEHALF OF EMIRATE OF ABU DHABI, AND BY DR. OMAR DAJANI ASST DIRECTOR OF THE IBRD.

2. ON OCCASION OF SIGNING, DAJANI COMMENTED TO PRESS THAT ISSUANCE OF INTL BONDS IN UAE DIRHAM MARKS GREAT ACHIEVEMENT FOR UAE BECAUSE LOAN IS PROFITABLE INVESTMENT AND REPAYMENT IS GUARANTEED. DAJANI ADDED THAT UAE IS CAPABLE OF PLAYING IMPORTANT ROLE IN WORLD'S MONETARY MARKETS AND ITS PARTICIPATION IN THIS TYPE OF INVESTMENT WILL UNDOUBTEDLY STRENGTHEN ARAB POSITION IN THE IBRD LEADING TO ULTIMATE BENEFITS FOR ARAB WORLD AS A WHOLE. END UNCLASSIFIED.

3A. BEGIN LIMITED OFFICIAL USE: EMBASSY HAS ALSO LEARNED FROM RELIABLE MINYFINANCE SOURCE THAT SEPARATE LOAN IN LOCAL CURRENCIES ODEMULF (QATARI, KUWAITI AND UAE) BEING FLOATED BY ALGERIA THROUGH FIRST NATIONAL BANK OF CHICAGO HAS COLLAPSED. LOAN WAS TO HAVE AMOUNTED TO EQUIVALENT OF DOLS 40 MILL AT INTEREST RATE IN RANGE OF 8-8 1/2 PERCENT, AND WAS TO HAVE BEEN USED TO FINANCE PURCHASE OF LNG VESSELS FROM FRENCH SHIP YARD. UNDERSTAND ABU DHABI SHARE WOULD HAVE BEEN EQUIVALENT OF DOLS 10 MILL. DESPITE THE FACT LOAN FULLY PUBLICIZED IN FINANCIAL JOURNALS ABROAD AND DEADLINE FOR SUBSCRIPTIONS WAS MAY 8, GOVT OF ALGERIA (GOA) CANCELLED ENTIRE LOAN WITHIN HOURS OF DEADLINE ALLEGEDLY BECAUSZR THEY ABLE TO OBTAIN FUNDS AT CHEAPER COST. SOURCE STATES THAT THIS SORT OF PERFORMANCE BY GOA UNHEARD OF IN INTERNATIONAL FINANCIAL TRANSACTIONS, AND IT HAS LEFT SOUR TASTE WITH UAE AND PRESUMABLY OTHER GULF PARTICIPANTS AS WELL.

B. SOURCE ASSUMES THALI "BETTER TERMS" MENTIONED BY ALGERIANS PROBABLY CAN BE INTERPRETED TO MEAN FRENCH GOVT HAS AGREED TO SUBSIDIZE BY ONE MEANS OR ANOTHER PURCHASE OF VESSELS. WE UNDERSTAND THAT NOT ONLY IS UAEG ANNOYED OVER NON-PROFESSIONAL HANDLING OF THIS TRANSACTION, BUT UNDERWRITER FIRST NATIONAL BANK OF CHICAGO, WHICH IN PROCESS OF ESTABLISHING RESIDENT PRESENCE IN FEDERATION, EXTREMELY EMBARRASSED BY UNEXPECTED GOA ACTION. END LIMITED OFFICIAL USE. GRIFFIN

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